

**MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK**

**INFORMAL SESSION  
January 14, 2002**

The Board of Supervisors of Maricopa County, Arizona convened at 9:00 a.m., January 14, 2002, in the Board of Supervisors' Conference Room, Tenth Floor, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Don Stapley, Chairman; Fulton Brock, Vice Chairman; Andy Kunasek, and Mary Rose Wilcox. Absent: Jan Brewer. Also present: Fran McCarroll, Clerk of the Board; Jessie Burning, Administrative Coordinator; David Smith, County Administrative Officer; and Paul Golab, Deputy County Attorney. Votes of the Members will be recorded as follows: (aye-no-absent-abstain)

**DISCUSSION AND ACTION: AMENDMENT OF "BUDGETING FOR RESULTS POLICY GUIDELINES"**  
**OFFICE OF MANAGEMENT AND BUDGET**

Item: The Budgeting For Results Policy Guidelines have been revised to serve as base guidelines that are static. All references to specific fiscal years have been removed. The Board priorities which are revised each year will be in a new document entitled "Budgeting For Results Priorities for FY 2002-2003". (C49020238) (ADM1829)

Sandi Wilson, Deputy County Administrator, stated that the Office of Management and Budget (OMB) is requesting that the Board set budget guidelines which will be standard year to year. However the difference this year from prior years is that OMB is requesting that annual budget priorities be set forth in a new policy which will be updated each year. This policy will be discussed later in the meeting.

Ms. Wilson continued with results from the revenue forecast, which is still on a downward trend. Sales tax was at a 1% to 3% percent annual increase, while the budget projection was set at 4 ½ %. The new sales tax forecast from Elliott D. Pollack & Associates has been revised downward to increase only at a rate of 0% to 2%. Year-to-date sales tax growth could improve to 1 ½ % by the December report, depending on holiday sales. Even if sales tax growth reaches an average of 1.5% for July thru December, collections growth in January thru June must reach 4.5% to make the previous forecast of 3.0%; this is not likely. The state-shared sales tax is \$12.6 million to \$19.1 million under budget. The County could have a difficult year in 2003, due to the drop from prior forecasts. Revisions made to the budget in December have helped to stabilize the outlook, despite lower projections.

There is also news with the vehicle license tax; the forecast is up, even though this revenue was budgeted very low, with 1% growth over the prior year. The current forecast is about \$8.3 million for the most likely scenario, and about \$6 million in the pessimistic scenario, above the increase originally forecasted in October. Next year's growth will most likely be at \$3.7million. Ms. Wilson explained that budgets are usually set at a mid-point between a pessimistic scenario given by Mr. Pollack and the most likely. Last year the vehicle license tax mid-point was set on the pessimistic side due to the fact that this tax had gone to a two-year cycle making the projection more unpredictable for year one.

The sales, vehicle and property taxes make up 90% of the general fund operating revenue. Together the taxes are averaged out from forecast to forecast to determine projected variances.

Supervisor Kunasek asked if property taxes were being paid on time for the current year, and what growth might be expected for the future with property taxes. In response, Ms. Wilson stated that the property tax abstracts will be out February 10<sup>th</sup>. Presently, there is not a good estimate on property taxes, projections at this point are based on a past forecast from Elliott Pollack and Associates. Ms. Wilson added that to her knowledge collections of property taxes have not dropped off.

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Supervisor Kunasek also asked if the state-shared sales tax figures included the jail tax and if any revisions were required for programming or jail construction.

Ms. Wilson stated that the figures are based on the general fund state-shared element not the sales tax for the jail. She also offered to present an update on the jail tax figures for the Board. Ms. Wilson explained that the County is still expecting to collect \$900 million in nine years. What has changed is the expected time-frame for the jail tax collections, which is a bit later than originally anticipated.

The County will have many formula-driven and fixed increases for 2003, which happens every year. Ms. Wilson added that in a year with strong revenue growth there would not be a problem, however, this year there is \$30.6 million of fixed increases, which the County will have to absorb. Some of the increases are estimates at this time.

FY 2002-2003 Fixed increases:

- ALTCS ~ \$7.9 million
- AHCCCS (Prop. 204) ~ \$2.6 million
- Arnold v. Sarn IGA ~ \$1.5 million
- Annualize FY 2002 compensation funding ~ \$.2 million
- Elections ~ \$3.2 million
- Healthcare Benefits for 2003 ~ \$3.2 million
- Jail Tax Maintenance of Effort ~ \$6.2 million
- Addition of 8 hours per FTE (2,080 to 2,088) ~ \$1 million
- Northwest Regional Court ~ \$.8 million
- Lawsuit Settlements ~ no specific estimate

Supervisor Brock asked what the anticipated range might be for lawsuit settlements. Ms. Wilson replied that the estimate at this time might be around \$335 million in outside lawsuits. OMB is not clear on what the outcome might be concerning the settlements, at this point estimates are conservative.

The General Fund for FY 2003, in the most likely scenario with growth in sales, vehicle license and property tax, less the fixed-increases that are anticipated, has \$7.5 million available for budget issues. For a pessimistic scenario based on the new Elliott Pollack forecast, the County would be \$15 million in the hole from the start. If the County should take the mid-point, as normally done at budget time, the County would be about \$4 million in the hole from the start. OMB anticipates that some of the forecasts will be stronger before the next budget process, but in any case the County will have a difficult year moving forward.

Ms. Wilson continued with potential increases for FY 2003 that OMB has not accounted for in fixed costs.

FY 2003 Potential Increases:

- New compensation increases (2.5% = \$6.5 million)
- Any possible new unfunded mandates or state aid cuts due to State of Arizona budget balancing efforts.
- AHCCCS Acute Contribution - \$1.5 million
- Staffing for new Sheriff food and laundry facility

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- PC replacement and software Enterprise Agreement (est. \$2.9 million)
- MIHS, and or Sheriff deficits

Supervisor Brock inquired about a previous presentation regarding the Integrated Criminal Justice Information System (ICJIS). He asked if the Infrastructure Technology Center had discussed with OMB the proposed cost for the ICJIS project. Supervisor Brock mentioned an estimate that was presented of \$25 million. He noted that he questioned the estimate, which was very sizable and more than generous for the need. However, when considering the size and location of the County, which is located in a border State, the County needs to correlate fingerprints, INS and visa records with the proper authorities. Supervisor Brock stated that it is crucial that the ICJIS project be entered into the budget to enable the County to work with Law Enforcement Agencies and the Federal Government.

Ms. Wilson explained that ICJIS is actually funded out of the jail tax and not from the general fund. Originally there was \$25 million budgeted for ICJIS, but new estimates are going as high as \$100 million. OMB is addressing the project in phases and the first phase is slightly lower than \$25 million.

Mr. Bradley stated that OMB is proposing a restructuring of the policies. OMB will remove annual items and insert them into a separate document, highlighting and separating them without requiring a yearly revision. The separate document will be referred to as the Budgeting for Results Priorities for FY 2002-2003.

**Budgeting for Results Priorities FY 2002-2003  
Maricopa County:**

- Target amounts equal to their current budgets plus BOS authorized adjustments.
- In order to maintain a structurally balanced budget, the Office of Management and Budget is directed to pursue and recommend base budget reductions.
- Little or no funding will be available for Results Initiative Requests.
- Primary and Debt Service property tax rates which, when combined with the estimated tax rates for the Flood Control District and Library District, are less than or equal to the FY 2001-2002 level of \$1.5448 per \$100 of net assessed value.

Supervisor Wilcox stated that she agrees with OMB's budget priorities, however she suggested adding language stating that "in the event of unforeseen circumstances changes could be made". She added that her concern was with the lack of flexibility regarding the priorities.

Supervisor Stapley stated for clarification, that to his understanding the budget priorities pertain to this year and are not part of a long-term budget policy statement. In response, Supervisor Wilcox noted that the Board of Supervisors are the individuals who have the authority to vote regarding County issues. She reiterated, that she is not comfortable adopting policies that might remove needed flexibility.

Supervisor Stapley commented that the Board always has the right to re-address priorities.

Supervisor Kunasek commented on Supervisor Wilcox's statement, noting that the Board's hands are not tied regarding decisions or changes when adopting policies. He also mentioned that the Board would be able to take appropriate action should the Legislature force the County through unfunded mandates to raise taxes.

Supervisor Wilcox asked for the minutes of the meeting to reflect that she is disturbed with the present language regarding this item.

### **Budgeting for Results Policy Guidelines**

#### Introduction

The purpose of this policy is to set forth the guidelines for developing budgets for Maricopa County, as well as the Flood Control, Library, and Stadium Districts. Maricopa County's budget process provides for responsible management of taxpayers' resources, while insuring that funds are directed towards achieving results at all levels.

#### Definitions

Budgeting for Results: A process in which budgetary decisions are based on or informed by performance information that describes the cost or efficiency of producing an activity and the results achieved for customers. This is accomplished by structuring the accounting and budgeting systems according to the structure of Departments' Strategic Plans.

Structurally Balanced Budget: A budget in which all recurring expenditures are fully supported by recurring sources of funding.

#### Policy Guidelines

##### **1. General Guidelines for Budget Development:**

- a) The budget will be based on conservative revenue estimates and will be *structurally balanced*. The budget will be formulated in accordance with the *Reserve and Tax Reduction Policy Guidelines (B1007)*.
- b) In accordance with the Board of Supervisors/Board of Directors' *Managing for Results Policy (B6001)*, Budgeting for Results is part of an overall management system that integrates planning, budgeting, reporting, evaluating and decision-making that is focused on achieving results and fulfilling public accountability. Departments/Special Districts are required to participate in the strategic planning process, and their plans and performance measures, along with strategic direction from the Board of Supervisors/Board of Directors, will be the primary basis for funding decisions.
- c) The Office of Management and Budget will analyze all base budgets to identify possible reductions, and will analyze all results initiative requests in detail, with particular focus on their impact on results.
- d) Directors and Program Managers will critically review new, unfunded or under-funded program mandates from the State and Federal governments in order to determine the fiscal impact to the County and to identify funding solutions.
- e) All positions will be fully funded in the budget or designated for elimination in accordance with the *Funded Position Policy (B3001)*.

- f) Wherever possible, grants and other non-local revenue sources will be used before allocating General Fund resources or other local revenues. Grant and other special revenue budgets will be developed in accordance with the *Policy for Administering Grants (F2001)* and the *Indirect Cost Policy for Grant Programs (F2002)*. Matching funds will be budgeted only to the extent required by law or by contracts and agreements specifically approved by the Board of Supervisors/Board of Directors.
- g) Wherever possible, the annual budget will provide for the adequate and orderly replacement of facilities and major equipment from current revenues based on confirmed analytical review of need. Vehicle replacement will conform to the *Policy for Vehicle Replacement (B4002)*.

**2. Revenue:**

- a) Existing grant agreements or grant applications must support budget requests for grants.
- b) Where appropriate, services and programs will be supported by user fees. User fees will recover the County's full direct and indirect costs, unless market considerations dictate otherwise. All user fees will be reviewed annually in conjunction with the budget development process. Because expenditures supported by user fees are generally subject to the Constitutional expenditure limitation, such expenditures must be carefully reviewed, and user fee rates should be reduced if they can no longer be justified by actual expenditures.
- c) Anticipated revenue to the County from fee increases will not be budgeted unless the Board of Supervisors/Board of Directors has approved such increases.
- d) All Departments/Special Districts, including elected officials and the Judicial Branch, will report to the Board of Supervisors/Board of Directors via the Office of Management and Budget all non-appropriated funding sources available to support their operations and programs, either directly or indirectly. When investigatory or security issues are of concern, such issues will be addressed on an individual basis.

**3. Expenditures:**

- a) Departments/Special Districts shall submit base expenditure requests within the budget target provided by the Office of Management and Budget. The Office of Management and Budget will develop targets for each fund budgeted by a Department/Special District according to its current budget, with adjustments as directed by the Board of Supervisors/Board of Directors.
- b) Requests for funding above base level must be submitted as *Results Initiatives Requests*, and must be directed to achievement of approved strategic goals that align with the direction of the Board of Supervisors/Board of Directors. Requests for additional funding will be considered only if departments/special districts have met the requirements for "Planning for Results" under the *Managing for Results Policy (B6001)*. Results Initiative Requests must be supported by complete performance measures that can be used to monitor and evaluate the initiative's success if funded. The Board of Supervisors/Board of Directors may annually adopt guidelines and priorities for results initiative requests. The Office of Management and Budget will review all results

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initiative requests and make recommendations according to the guidelines and priorities established by the board of supervisors/board of directors.

- c) In order to promote consistent and realistic budgeting of personnel, all personal service budgets shall include a reasonable allowance for personnel savings due to natural staff turnover. The rate of personnel savings should be budgeted based on past experience. Budgeted personnel savings may be budgeted conservatively for smaller departments that are subject to greater variations in staff turnover.
- d) No "carryover" capital outlay or capital improvements will be budgeted unless specifically approved by the Board of Supervisors/Board of Directors. Departments that do not identify and receive approval for carryover items will be required to eliminate them or fund them from within their operating budgets.
- e) Major Maintenance projects and Vehicle Replacement for General Fund Departments will be budgeted in General Government. All non-General Fund Departments will fund their own Major Maintenance projects and Vehicle Replacement.

**4. Budget Process:**

- a) All Appointed, Elected and Judicial Branch Departments/Special Districts will follow these policy guidelines in preparing their Annual budget requests.
- b) All Appointed, Elected, and Judicial Branch Departments/Special Districts will submit budget requests to the Office of Management and Budget (OMB) following the detailed timeline, directions and format prescribed by OMB.
- c) Department/Special District financial reporting structures will be established by the Financial Reporting Review Committee and must be finalized prior to budget submission.
- d) All budget requests will be submitted at a detailed level by department, fund, organization unit, Program/Activity, object/revenue source, and month. Departments/Special Districts will prepare their budget requests in the budget preparation system provided by the Office of Management and Budget, and will follow all system instructions.
- e) The Deputy County Administrator (DCA) will negotiate budget recommendations with Elected Officials and Judicial Branch departments. If agreement cannot be reached with the DCA, the Presiding Judge and elected officials may first continue negotiation directly with the County Administrative Officer or, if agreement still cannot be reached, with the Board of Supervisors.

**5. Capital Improvement Projects:**

- a) Upon recommendation of the Facilities Review Committee and identification of available funding, the Office of Management and Budget will recommend a five-year Capital Improvement Program to Board of Supervisors/Board of Directors in accordance with the Capital Improvement Program Policy.

- b) The Board of Supervisors/Board of Directors may allocate carry-over fund balances to one-time capital items in accordance with the *Reserve and Tax Reduction Policy (B1007)*.
- c) When requesting funding for capital improvement projects, Departments/Special Districts will provide estimates of increased operating costs associated with each individual project.
- d) Capital improvement program budgets may include a contingency budget reserve to fund project overages of up to 10% or \$1,000,000, whichever is less.

**6. Internal Charges and Indirect Cost Allocations:**

- a) Internal service departments and County Counsel will develop estimates of base and discretionary charges for each Department/Special District they serve according to instructions and schedules provided by OMB. All estimates will be reviewed by the user departments, OMB and Finance.
- b) All internal charges will be based strictly on recovery of actual costs for providing services or sharing use of equipment or facilities; charges between Departments/Special Districts that are based on "market rates" and exceed actual costs are prohibited. Allocation of costs between funds for shared use of buildings or equipment will be determined consistent with the Central Service Cost Allocation plan prepared by the Department of Finance.
- c) Base-level or non-discretionary internal services will be charged at the fund level. General Fund department charges will be budgeted in, and paid from, General Government. Discretionary internal service charges are the responsibility of the requesting Department/Special District.
- d) The Department of Finance will assess Central Service Cost Allocation charges from all non-General Fund agencies except grants based on a full-cost allocation methodology. The Department of Finance will provide departments that administer grants with an indirect cost rate established according to the methodology allowable by the grantor.
- e) Funding for the Self-Insurance Trust Fund will be assessed from all funds as a base-level charge based on a funding plan developed by the Risk Management Department. The funding plan will provide for an ending cash balance equal to the projected paid losses and claims-related expenses for the upcoming fiscal year.

**7. Use of the Jail Excise Tax:**

- a) The Jail Excise Tax, authorized by A.R.S. §42-6109 and approved by the voters of Maricopa County in November 1998, is a non-recurring revenue source. Consistent with Maricopa County's budgetary and fiscal policies and the need to maintain a structurally balanced budget, it is the intent of the Board of Supervisors, whenever possible, to fund all recurring operating expenditures, including alternative jail population reduction programs, from recurring revenue sources.
- b) Operating costs for existing jail and juvenile detention facilities will be held to a minimum, and, if possible, will not exceed the required Maintenance of Effort allocation to the Jail Tax Fund from the General Fund, as required by A.R.S. §42-6109.

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- c) Operating costs for new jail and juvenile detention facilities will be supported by allocations from the General Fund to the Jail Tax Fund above and beyond the required Maintenance of Effort whenever possible.
- d) Funding for the integrated criminal justice information system project will be set at an appropriate level based on demonstrated benefits that justify the investment.
- e) Information Technology budget requests will be considered for funding from Jail Excise Tax proceeds under the following circumstances:
  - The request is directly related to operation of current and new jail and juvenile detention facilities.
  - The request is part of, or is necessary for full implementation of, the integrated criminal justice information system project, as described in the referendum documentation.
  - If funds are available once the Master Plan has been provided for, jail excise tax funds could be considered for information technology requests that increase the efficiency of various components of the criminal justice system, so long as the project meets one of the authorized uses in A.R.S. §42-6109. These include
    - Developing regional centers for courts not of record.
    - Implementing differentiated case management for criminal cases in superior court.
    - Consolidating criminal divisions of the superior court in the county to a common location.
    - Expanding pretrial release supervision.
    - Implementing electronic monitoring of pre-adjudicated defendants.
    - Enhancing substance abuse evaluation and programming.
    - Increasing drug court admissions to include pre-adjudicated defendants and expanding drug court jurisdiction.
    - Using community based juvenile detention and post-adjudication programs.

Motion was made by Supervisor Brock, seconded by Supervisor Kunasek, and unanimously carried (4-0-1) to approve amending the Budgeting For Results Policy Guidelines (B1006) that serve as the base guidelines from the Board of Supervisors to all departments to use when preparing their budgets for submission to the Office of Management and Budget.

Supervisor Brock asked to explain his vote. He referred to the FY 2002-2003 Budget Guidelines and Priorities hand-out, which was given to the Board from OMB. He specifically noted that on page three, the FY 2002-2003 Fixed Increases of over \$30.6 million, does give some credibility to Supervisor Wilcox's concerns. Supervisor Brock pointed out that the increases are either lawsuits or fixed mandates that the County will be required to absorb, with the possible exception of the Northwest Regional Court. Irrespective of what the Legislature should impose this year, the County has fixed increases that are mandated that clearly are a concern.

Supervisor Wilcox reiterated her concern and belief that unforeseen circumstances may require the Board to readdress some of the guidelines in this policy.



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**DISCUSSION AND ACTION: "BUDGETING FOR RESULTS PRIORITIES" & BUDGET CALENDAR FY 2002-2003/OFFICE OF MANAGEMENT AND BUDGET**

The Budgeting For Results Priorities for FY 2002-2003 have been removed from the Budgeting For Results Policy Guidelines, since the priorities will be revised each year. The FY 2002-2003 Budget Calendar will also be presented. (C49020248) (ADM1825)

**MARICOPA COUNTY  
BUDGETING FOR RESULTS PRIORITIES FOR FY 2002-03**

These priorities are designed to provide direction from the Board of Supervisors to the Office of Management and Budget and all departments so that structurally balanced budgets are developed for FY 2002-03.

**Base Budget Targets:**

Budgets for all departments and funds will be prepared within target amounts equal to their current budgets plus authorized adjustments. The Office of Management and Budget is directed to adjust baseline budget targets for the annualized cost of FY 2001-02 approved Results Initiative Requests, mid-year appropriation adjustments, and any other items approved by the Board of Supervisors that have a budget impact in future years.

**Base Reductions:**

In order to maintain a structurally balanced budget, the Office of Management and Budget is directed to pursue and recommend base budget reductions in departments and offices.

**Requests for Additional Funding (Results Initiative Requests):**

Little or no funding will be available for Results Initiative Requests. The Office of Management and Budget will only review critical and emergency Results Initiative Requests. In order for critical or emergency requests to be considered, department staff must meet in advance with the Office of Management and Budget and provide supporting documentation as instructed. Departments must also present their critical and emergency requests at a Board study session in February.

**Property Tax Levies and Rates:**

The County budget will be structurally balanced while maintaining Primary and Debt Service property tax rates which, when combined with the estimated tax rates for the Flood Control District and Library District, are *less than or equal to* the FY 2001-02 level of \$1.5448 per \$100 of net assessed value. The County Debt Service levy will be estimated at an amount sufficient to support scheduled debt service payments.

Motion was made by Supervisor Brock, seconded by Supervisor Wilcox, and unanimously carried (4-0-1) to approve the Budgeting for Results Priorities for FY 2002-2003 that provide direction from the Board of Supervisors to the Office of Management and Budget and all departments so that structurally balanced budgets are developed for FY 2002-2003.

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Ms. Wilson finished her comments by presenting the Budget Calendar for Fiscal Year 2002 –2003, (printed below).

**FY 2002 – 03 Budget Calendar**

**2002**

Jan 14	BOS adoption of FY 2002-03 Budgeting For Results Policy Guidelines & Board Priorities
Jan 18	Budget Targets distributed to departments
Jan 22 - Feb 15	Results Initiative Request Meetings (if necessary) OMB reviews Appoint Department Budgets/negotiates with Elected/Courts
Jan 24	Facilities Review Committee meeting w/ Public Works on CIP Budget Development
Feb 19	Board Policy Meeting on CIP Priorities
Feb 25	Budget Preparation System Training (PAS and Org Changes)
Feb 28	Board Study Session to review and discuss emergency RIRs
Mar 4	Elected Official/Judicial Branch Budget Presentations to BOS
Mar 4	Budget Preparation System Available to Departments
Mar 11 - 18	Budgets Allocated by PAS due from departments
Mar 18 - Apr 26	OMB Consolidates and Finalizes budget recommendations
Apr 25	Board Study Session on CIP
May 6 - 10	Board Briefings
May 13	CAO Presents FY 2002-03 Budget to Board of Supervisors
May 20	Board Adopts FY 2002-03 Tentative Budget
May 28 - Jun 15	Public Meetings held in Supervisory Districts, as requested
Jun 17	Final Adoption of FY 2002-03 Budget
Jun 26	Board of Supervisors sets Tax Rate

**MEETING ADJOURNED**

There being no further business to come before the Board, the meeting was adjourned.

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Don Stapley, Chairman of the Board

ATTEST:

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Fran McCarroll, Clerk of the Board